

Opening Statement of the Honorable Joseph R. Pitts
Subcommittee on Health
Hearing on “Setting Fiscal Priorities”
December 9, 2014

(As Prepared for Delivery)

Despite some recent progress in reducing the deficit, the federal government faces enormous budgetary challenges. The Congressional Budget Office projects that the annual federal budget deficit will once again approach the \$1 trillion mark in a few short years. At the end of November, the federal debt surpassed \$18 trillion for the first time.

The consequences associated with the federal government’s spending and debt problem can’t be overstated. In fact, the former Chairman of the Joint Chiefs of Staff concluded that “the single, biggest threat to our national security is our debt.”

Federal spending on health care programs is the major driver of the spending and debt challenge that America confronts. Today’s hearing is a critical step as the Committee approaches the 114th Congress and considers proposals to tackle this problem.

Our biggest challenge is mandatory spending, particularly Medicare and Medicaid, which together accounted for 25% of all federal spending in FY2013.

Medicare is on an unsustainable trajectory. In FY2014, it covered some 54 million people at a cost of approximately \$618 billion. According to the 2014 Medicare Trustees report, the program will become insolvent in 2030, in just 15 years. If Medicare spending accelerates in coming years – as many economists expect – then Medicare’s insolvency could come much sooner.

Medicaid expenditures are set to increase dramatically as a result of the Affordable Care Act’s Medicaid expansion. Spending on the program is set to double over the next decade, even though it already comprises one of every four dollars in an average state budget.

These programs need to be strengthened and modernized, not just because millions of Americans depend on them for their healthcare, but also because out-of-control entitlement spending is crowding out other important priorities.

For example, researchers, scientists, patient advocates, and many others have consistently told the Committee that Congress should consider stabilizing and strengthening the National Institutes of Health as part of the 21st Century Cures Initiative.

The NIH and other discretionary program priorities will continue to face budgetary challenges if entitlement program spending continues to take a larger and larger share of the budget.

The late Democratic Senator Paul Simon spoke to this larger issue when he said, “a rising tide of red ink sinks all boats.” The federal government’s mandatory spending on entitlement programs threatens Congress’ ability to spend dollars on programs like the NIH. We need to consider solutions so we can best target resources to these areas of priority.

Today’s hearing is also timely in another respect. Next year, Congress faces a number of important funding cliffs.

In March, Congress will need to confront the Medicare physician payment cliff and try to enact a permanent solution to the Sustainable Growth Rate, or SGR. In addition, the Affordable Care Act created a funding cliff for the State Children’s Health Insurance program. Funding for the program ends in September.

If Congress is going to tackle these problems and others facing us next Congress, we will need to come up with responsible ways to pay for these issues. Rather than turning to blunt tools like the Medicare sequester, we need policies that drive reform and savings that make sense. In addition, given that the Affordable Care Act has been the law for over four years, targeted reductions to the ACA must be on the table as we set fiscal priorities.

I hope today serves as a catalyst to continue these important discussions about setting fiscal priorities.

I would like to welcome of all our witnesses. I look forward to your testimony and your recommendations on how to strengthen and save these critical programs.

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